

# Prime Value Opportunities Fund

## Fund Update – November 2021



- The emergence of a new COVID strain towards November's last few trading days saw investors transition into safe-haven currencies and bonds.
- The ASX300 Accumulation Index fell 0.5%, outperforming most global peers, as China moved to support growth and stabilise their property market.
- The Fund gained 0.6% in November, a pleasing outcome against the broader market's 0.5% decline.

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	<b>11.7%</b>	8.0%	3.7%
7 Years (p.a.)	<b>10.1%</b>	8.0%	2.1%
5 Years (p.a.)	<b>10.7%</b>	8.0%	2.7%
3 Years (p.a.)	<b>13.5%</b>	8.0%	5.5%
2 Years (p.a.)	<b>12.1%</b>	8.0%	4.1%
1 Year	<b>20.5%</b>	8.0%	12.5%
3 Months	<b>-0.5%</b>	2.0%	-2.5%
1 Month	<b>0.6%</b>	0.6%	0.0%

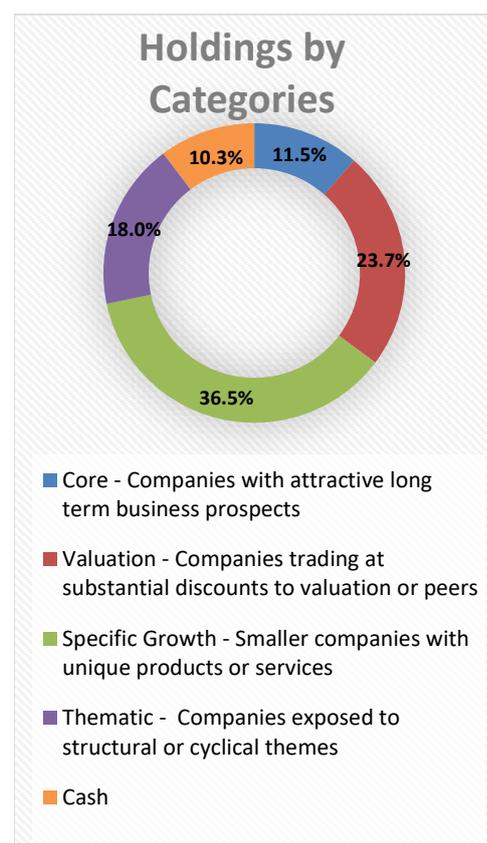
\* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC). The returns are calculated before performance fees which are charged against individual accounts. The returns exclude the benefits of imputation credits. Past performance is not necessarily an indicator of future performance.

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2013					1.8%	1.7%	4.3%	6.2%	(0.6%)	4.0%	(2.2%)	(1.6%)	<b>14.1%</b>	<b>14.1%</b>
FY 2014	4.4%	2.6%	4.3%	5.0%	(1.1%)	1.5%	(1.9%)	5.9%	0.2%	0.3%	0.3%	(1.4%)	<b>21.4%</b>	<b>38.5%</b>
FY 2015	2.5%	1.0%	(4.1%)	3.1%	(1.9%)	0.7%	1.5%	5.7%	1.4%	(1.0%)	0.5%	(4.3%)	<b>4.6%</b>	<b>44.9%</b>
FY 2016	5.3%	(3.7%)	0.1%	5.5%	1.7%	2.4%	(3.4%)	(1.9%)	3.6%	2.3%	4.4%	(1.8%)	<b>14.9%</b>	<b>66.5%</b>
FY 2017	6.5%	(1.7%)	(0.5%)	(4.9%)	(0.2%)	2.7%	(1.1%)	2.4%	2.1%	1.3%	(1.2%)	1.2%	<b>6.3%</b>	<b>77.0%</b>
FY 2018	(1.2%)	1.0%	0.4%	4.2%	1.6%	0.4%	(0.2%)	2.5%	(2.5%)	3.0%	2.1%	2.4%	<b>14.3%</b>	<b>102.4%</b>
FY 2019	1.7%	2.6%	(1.9%)	(8.2%)	(1.9%)	(1.8%)	3.2%	3.4%	0.2%	2.9%	0.3%	2.6%	<b>2.5%</b>	<b>107.5%</b>
FY 2020	2.9%	(2.3%)	0.2%	1.0%	3.0%	(2.0%)	4.9%	(5.8%)	(16.8%)	8.0%	5.4%	3.0%	<b>(1.1%)</b>	<b>105.2%</b>
FY 2021	1.6%	4.1%	(3.6%)	0.5%	7.9%	2.1%	(0.1%)	2.3%	1.5%	4.6%	1.3%	3.0%	<b>27.7%</b>	<b>162.0%</b>
FY 2022	0.9%	3.9%	-1.4%	0.3%	0.6%								<b>4.2%</b>	<b>173.2%</b>

Top five holdings	Sector
CSL	Health Care
National Australia Bank	Financial
Macquarie Bank	Financials
BHP	Materials
Commonwealth Bank	Financials

The top five holdings make up approximately 25.7% of the portfolio

Feature	Fund facts
Portfolio Manager	ST Wong
Investment Objective	To achieve superior absolute total returns by providing medium to long term capital growth without the constraints of a share market benchmark.
Benchmark	8.0% pa
Inception Date	5 November 2012
Cash	0 - 100%
International Exposure <sup>#</sup>	0 - 20%
Distributions	Half-yearly
Suggested Investment Period	3 + years
Research Rating	Zenith – Recommended Lonsec - Recommended



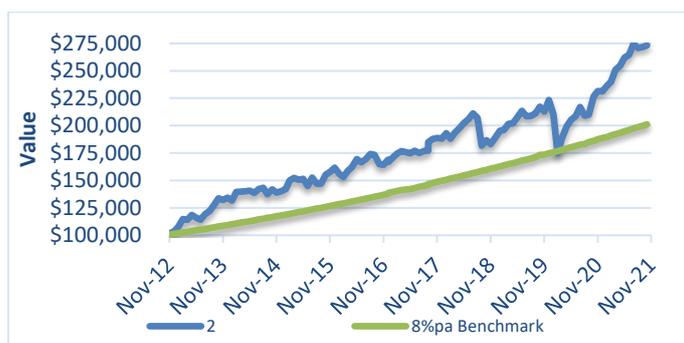
<sup>#</sup> The Prime Value SIV Opportunities Fund will have no exposure to international securities in accordance with SIV regulations

## Market review

The Developed Market World Index lost ground over November, declining -1.4%; driven by the emergence of the Omicron variant which saw global investors transition into safe-haven currencies and bonds. The volatility in global markets occurred in the final days of the month after the discovery of a more transmissible Omicron COVID variant. This added to fears of more lockdowns that had already started to re-emerge as COVID cases started to rise in the Northern Hemisphere, and added to investors' growth concerns when the cycle was already slowing, and monetary stimulus was being reduced. To top it off, on the last day of the month, US Federal Reserve chair Powell signalled tapering may be accelerated as inflation is less transitory than first thought. The US S&P500 Index closed -0.83% lower for the month. The Info Tech sector held gains, up +4.2%, while the Energy (-5.8%) and Financials (-5.8%) sectors fell the most.

Brent Oil prices fell US\$14 to US\$71/bbl in November. Oil prices reacted materially to the news of the Omicron variant in South Africa, falling 11.6% to \$72.77 on 26 November. Iron Ore dropped US\$8 to US\$100/Mt on the back of weak China demand signals. Gold traded mixed in the first week of November amid an array of central bank meetings, falling following a hawkish Fed meeting but gained after a dovish Bank of England meeting. The precious metal ended the month 0.50% lower, trading at US\$1774.52.

The ASX300 Accumulation Index fell 0.5% and slightly outperformed the S&P500 Index. On a sector basis, Materials (+6.3%) was the strongest performer, while Communication Services (+5.2%), and REITs (+4.5%) also outperformed in Australia. The Energy sector underperformed the most (-8.3%), the Financials (-6.9%) and IT (-2.9%) sectors also lost ground. Mid cap stocks performed better over small and large caps, while Resources outperformed Industrials across all size bias indices.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$273,200 (net of fees excluding performance fees). This compares very favourably with the return of the benchmark, where a \$100,000 investment would have increased to \$201,100 over the same period. The returns exclude the benefits of imputation credits.

Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. Past performance is not necessarily an indicator of future performance.

	Direct Investment (Class A)	Platform Investment (Class B)
APIR code	PVA0005AU	PVA0006AU
Minimum Investment	\$20,000	N/A
Issue price	\$ 1.9630	\$ 1.9244
Withdrawal price	\$ 1.9482	\$ 1.9098
Distribution (30/06/2021)	\$ 0.0639	\$ 0.0631
Indirect Cost Ratio (ICR)*	0.95% p.a.	0.95% p.a.
Performance fee**	15%	15%

\* Unless otherwise stated, all fees quoted are inclusive of GST and less the relevant RITC

\*\* Of performance (net of management fees) above the agreed benchmark, subject to a high water mark

The information contained in this Fund Update is general in nature and has no regard to the specific investment objectives, financial or particular needs of any specific recipient. It is not intended to constitute investment advice or a personal securities recommendation. This document is not a Product Disclosure Statement (PDS) or an offer of units, and contains a brief overview of the investment only. Any prospective investor wishing to make an investment in the Prime Value Opportunities Fund must obtain and read the PDS dated September 2017 (particularly the risk factors discussed) and complete an application form. Neither Prime Value Asset Management Limited nor its associates or directors, nor any other person, guarantees the success of the Prime Value Opportunities Fund, the repayment of capital or any particular rate of capital or income return, or makes any representation in relation to the personal taxation consequences of any investor's investment.

## Fund review and strategy

The Fund gained 0.6% in November, a pleasing outcome compared to the broader market's fall of 0.5%. The Fund has gained 4.2% for the 2022 financial year (from July 2021) and over 16.5% for the calendar year to date. The Fund's top November performance contributors included: Goodman Group (+12.7%), BHP (+7.6%) and Uniti Group (+8.8%). The top detractors from performance in November were: CBA (-9.7%), Bapcor (-12.2%) and NAB (-7.9%).

Early in the month Goodman Group upgraded its FY22 Operating EPS growth guidance from +10% to +15% despite delaying the recognition of \$200m in development profits. So far, this financial year, all three areas of the business (development, investment and management, including performance fees) were said to be running ahead of expectations. Goodman, a global industrial property developer and fund manager, has work-in-progress of \$12.7bn and materially was ahead of prior Goodman guidance (\$10-11bn). FY22 closing Funds-under-management guidance was also upgraded from \$65bn to \$70bn. Goodman fits into the portfolio's Thematic category: the company's global leadership position in large scale industrial properties has led to numerous partnership opportunities with large institutional investors keen to increase their exposures to industrial property assets. Lead by a high quality and deep management team the company is extremely well positioned in this multi-year property asset cycle.

Auto parts distributor Bapcor's share price fell heavily on news of long serving CEO Darryl Abotomy was to exit the business. Darryl Abotomy has built stability, great ability to deliver and nimbleness into Bapcor—we expect a number of these successful traits to be institutionalised into the company. In our view, management matters and carries a heavy weighting when we are assessing the attractiveness of investing in a company. Although we have not sold any shares in Bapcor in response to the CEO departure, we will be re-assessing our position in the company. Key to our decision will be the quality and depth of Bapcor's management and valuation of the company (we don't want to be selling at a cheap price). In our view, Bapcor is well positioned operationally for trading over the next few months and earnings risks should be low. Management has built sufficient inventory ahead of the year end retail period and does not appear to be held hostage to the global supply chain disruptions.

Outlook: It's that time of year again, when we get a lot of questions on the outlook for the coming year. Let us be clear that we refrain from making macro or big picture predictions—partly because it's not our competitive edge. More importantly, it is incredibly difficult to successfully invest based on big picture predictions due to numerous assumptions that investors have to make—some or none of these assumptions will eventuate and compounds the risk of making investment mistakes. We seek to invest in companies with attractive fundamental characteristics and are led by capable management teams—using this approach we participate in companies that are investing in their businesses to generate long term profitable growth. Goodman and Bapcor are two examples of such investments that we have held over a number of years. As we assess our holdings and prospective investments in our pipeline for 2022, many are investing and growing their businesses. This underpins our confidence in generating good investment returns for the Fund.

Top contributors (absolute)	Sector
Goodman Group	Real Estate
BHP	Materials
Uniti Group	Communication Services

Top detractors (absolute)	Sector
Commonwealth Group	Financials
Bapcor	Consumer Discretionary
National Australia Bank	Financials

### Platforms

BT Wrap, Macquarie Wrap, Netwealth, Hub24, Powerwrap

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